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UNCLAS ANTANANARIVO 000426

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JOHANNESBURG FOR SCO  
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SUBJECT: Seaboard Reaches Verbal Agreement to Extend Lease

REF: A) ANTANANARIVO 0074

B) 06 ANTANANARIVO 1425

¶1. (SBU) SUMMARY: After over a year of intense lobbying, including Ambassador McGee insisting on a level playing field in a meeting with President Ravalomanana, the U.S. company Seaboard reached an oral agreement with Tamatave Port Director Botozaza April 27 to extend the company's lease on silos and facilities at the port. At a ceremony the same morning, Prime Minister Lt-General Charles Rabemananjara and Transport Minister LaPorte knowingly quipped to the Ambassador, "Hope you are satisfied," no doubt referring to their instructions to Botozaza to negotiate with Seaboard's representative. As of April 30, Seaboard and the Port were preparing to hold negotiations on the terms of the new lease. In the interim, both Botozaza and Lopes signed an official text of the minutes of their April 27 meeting to confirm for both sides what was agreed to. END SUMMARY.

Background: Seaboard vs. TIKO  
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¶2. (SBU) Since entering the Madagascar wheat milling market in partnership with local company KOBAMA in early 2006, Seaboard Corporation has sought talks to extend their access to silos and port facilities in Tamatave. In particular, Seaboard sought fair access to a multimillion dollar conveyor system constructed by the port under its modernization program. While operating a profitable enterprise during this time, Seaboard was repeatedly rebuffed by GOM officials in submitting written proposals and requests for meetings.

¶3. (SBU) During the same period, President Ravalomanana's TIKO company constructed a new grain silo in Tamatave to enter the wheat market. With possible sole access to the conveyor system, and without a lease extension to allow Seaboard to stay in the market, it appeared the GOM was allowing - or engineering - a wheat monopoly for the President's company. It is also notable that much of Madagascar's wheat imports are PL 480 commodities shipped for monetization and sold at attractive prices.

¶4. (SBU) Ambassador McGee traveled to Tamatave in early September 2006 to force Director Botozaza's hand and secure a meeting for Seaboard. In that meeting, Botozaza repeatedly stated he was against a monopoly and assured the Ambassador he would consider a lease renewal. In the intervening months, Botozaza, the former and current Ministers of Transport, and the Presidency made themselves unavailable to meet with Seaboard. In a heated January meeting with the President, the Ambassador asked that the Seaboard case receive a level playing field. Ravalomanana professed himself to be "neutral" and insisted his Minister would handle the case. Four months later, it appears that persistent Embassy advocacy has convinced the GOM

that Seaboard cannot be so easily chased away from the Madagascar market.

#### Not Quite Home Free

15. (SBU) Post will not be convinced Seaboard actually has a viable deal until they are still seen to be operating when the current lease expires in November. Part of the deal involves the Port taking back part of the land under Seaboard's management and providing a substitute - a compromise the Seaboard representative has agreed to. At present, Seaboard is telling the Embassy that the oral and written confirmation so far provided will allow them to stay in business. The devil will be in the details of finalizing the new lease agreement; given the Prime Minister's comment to the Ambassador, we are cautiously hopeful.

16. (SBU) COMMENT: Post repeatedly communicated to the GOM that even if they are entirely in the right, the perception of corruption will be unavoidable when an American company pulls out of a market leaving the President's company with a monopoly. We often discreetly asked, "What is more important: an advantage for TIKO in the million dollar wheat market or Madagascar's reputation as it actively seeks billions of dollars in aid and investment?" Somewhat unhelpfully, it seemed at times that Seaboard was using this same leverage to secure a sweetheart deal for itself. Nonetheless, when the new lease is signed, Post will conclude the GOM and President Ravalomanana can put the country's interests ahead of TIKO's; if pressed. END COMMENT.

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